

## Off to a poor start

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### Governor's budget strategy is bewildering

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In trying to fashion a responsible 2008-09 budget that finally ends years of deficit spending and gimmicks, Gov. Arnold Schwarzenegger faces an enormous challenge.

The numbers are daunting. The state typically spends about \$9 billion a month while taking in only about \$8 billion in revenue. But the political dynamics may be even more daunting. Democrats not only have a long record of ducking any tough spending decision, some of their leaders (notably departing Assembly Speaker Fabian Núñez) assert against all available evidence that most recent budgets have been parsimonious. Republicans, meanwhile, are united in their opposition to new or higher taxes, which cannot be adopted unless a few GOP lawmakers break ranks.

The media, meanwhile, further muddy the debate. Many reporters depict a reduction in an agency's proposed budget for a future year as if it were an actual spending cut, instead of a reduced spending increase. This allows special interests to forever depict themselves as besieged and starved for funding. Meanwhile, many pundits blame the public for the perennial fiscal woes, saying Californians want state programs but don't want to pay for them – as if rank-and-file voters were eager to see prison guards' pay double and public employees get vast pension increases.

Given all these complications and clashing interests, it was crucial that Schwarzenegger got off to a good start in the budget scrum. Unfortunately, the governor's response last week to the Legislative Analyst's Office budget plan could not have been less promising.

First he said he supported the LAO's call to close \$2.5 billion in tax "loopholes." But when Republicans noted the "loopholes" were actually long-established tax credits for seniors and parents with dependents – hardly the traditional definition of a shady, undeserved tax "loophole" – then he said he was only willing to examine the LAO suggestions. Yet Schwarzenegger still insisted on calling the tax credits "loopholes."

This is bewildering. In the governor's first major play of the budget fight, he embraces Clintonian parsing in trying to disguise what are obviously tax hikes of the very sort he pretends to abhor. This slipperiness is sure to trigger bipartisan outrage among voters who may see their state tax bills soar on the pretext that they've been getting away with exploiting a "loophole" for years.

But Schwarzenegger also made another huge strategic error: He showed his willingness to give up a crucial bargaining chip without winning anything in return.

Not all Sacramento insiders believe a budget train wreck is inevitable. Some see the possibility of a grand bargain in which Democrats agree to a tough new constitutional amendment limiting and smoothing out spending and Republicans agree to some tax hikes that do the least damage to the state's economy. But now Democrats know the GOP governor is ready to back the latter without even bringing up the former.

How does this make sense? Isn't Schwarzenegger supposed to be a master at political maneuvering?

Train wreck, here we come.